Interdepartmental Service Agreement (ISA)

The Interdepartmental Service Agreement (ISA) is the “Contract” that documents the business agreement (joint venture) between two state departments within any branch of state government. A department must be recognized as a department in the State Accounting System (hereinafter referred to as “MMARS”) in order to transfer or receive funding under an ISA. The ISA must comply with funding language in any appropriation act (GAA, interim or supplemental) funding the ISA, as well as all applicable general and special state or federal laws, regulations, policies and procedures.

ISA Process for Budget Capital Trust Fund

Actions performed prior to beginning step 1

- Department has been approved as a parent department
- Parent department has established ISA with child department

Step One

- Parent department prepare BGCN or BGCS, validates and submits to a pend status.
- BGCN enters workflow to CTR Procurement Unit

Step Two

- Comptrollers Procurement Unit reviews ISA packages for Compliance

Step Three

- Procurement Unit will process BGCS or BGCN to final status

Step Four

- Parent Department verifies table (BQ, etc.) information is correct

Step Five

- Parent Department notifies Child Department of all appropriate codes to allow tracking of Funding

815 CMR 6.00 (http://www.mass.gov/osc/Regs/Regs.html) governs interdepartmental fiscal business including Interdepartmental Service Agreements (ISAs). Interdepartmental Service Agreements (ISAs) are non-chargeback business relationships between state departments that are evidenced by an Interdepartmental Service Agreement (ISA) Form.

> *Communication between the Buyer and Seller is the Key to Success*

Federally Funded ISA Grant Process

Actions Performed Prior to Beginning Step One

- Department has established a New grant
- Department has been approved as a Parent department
- Parent department has established ISA with Child department

Step One

- Parent Department prepares BGCN, validates and submits to Pend status
- BGCN enters workflow to Comptrollers Procurement Unit
- Parent department prepares BGRG and validates to reject status
- Parent department prepares request for setting up a Federal Grant (ISA) Form and submits with copy of ISA to CTR Procurement Unit

Step Two

- Comptrollers Procurement Unit reviews contract and forwards a copy to CTR Revenue Bureau inclusive of the Request for Setting up a Federal Grant (ISA) form
- Revenue Bureau updates the revenue source table and enters BGRN document to link the processes the BGRG to final status, then prepares Table Set Up:
  - Major Program
  - Program
  - Program Period
  - CMIA
  - Funding Profile
  - Funding Line
  - Grant Funding Profile Inference

Step Three

- Procurement will process BGCN to final status inclusive of linking to the proper Revenue Source Code

Step Four

- Parent Department verifies table information is correct

Step Five

- Parent Department notifies Child department of all appropriate codes to allow tracking the Grant

http://knowledgecenter.osc.state.ma.us

Helpful Reference Information

Policy

Contracts – Interdepartmental Chargebacks
Interdepartmental Service Agreements
State Finance Law and General Requirements

Job Aids

How a Buyer Department Finalizes an Internal Encumbrance Shell
How a Seller Department Creates an Internal Encumbrance Shell (IE)
How a Seller Department Tracks Internal Business Collected Revenue
How the Buyer Department Makes an Internal Transaction Agreement (ITA)
How the Seller Department Finalizes an Internal Encumbrance Shell (IE)
How the Seller Department Initiates an Internal Initiator (ITI)
Internal Business Information Delivery

Elearning

SELLER FINALIZE IE
BUYER COMPLETES IE
SELLER INITIATE ITI
BUYER MAKES ITA
SELLER TRACKS COLL REVENU
OVERVIEW
SELLER CREATES IE

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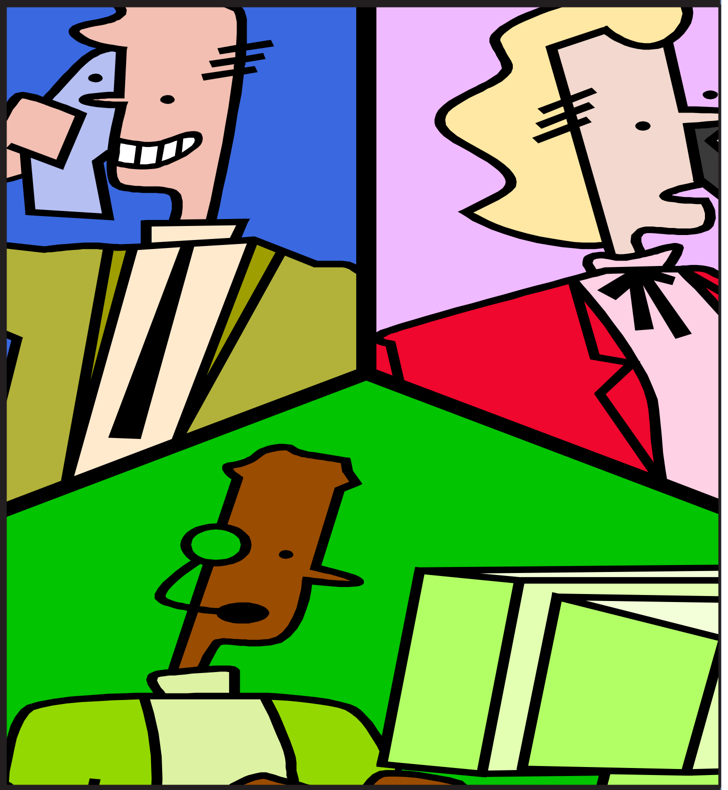
INTERDEPARTMENTAL BUSINESS



Communication *is the* Key *to* Success

Office of the Comptroller
Commonwealth of Massachusetts

Interdepartmental Business Chargeback

Based on state law, the Office of the Comptroller's (OSC) Legal Bureau establishes Chargeback accounts. A chargeback account is established after the seller department completes a form and submits it to the OSC Legal Bureau. The seller department is then issued an "ISELL" vendor code by the OSC. The seller department can then begin creating and sending encumbrance documents to the Commonwealth departments purchasing their services. Written and verbal communication between the SELLER and BUYER department is crucial to make this business process work effectively.

STEP ONE: The IE (The Encumbrance)

The Seller Department creates the IE

1. For easy recognition, the seller should not use the **Auto Numbering** option. They should create a document ID code that describes the purpose of the IE.
2. The Seller completes the **Vendor** section by entering their **Vendor Customer** code (ISELLXXXXXXX).
3. The seller enters the amount of the IE in the **Line Amount** field of the **General Information** sub-section of the **Accounting** section.
4. The Seller enters the approved **Object Code** into the **Fund Accounting** sub-section of the **Accounting** Section.
5. The seller **Saves** the IE.

Communication Point

6. After the IE is created, the seller should email the buyer to notify that the IE is on the document catalog.

The Buyer Department Completes the IE

7. When the buyer sees the IE on the document catalog, they should verify the amount and enter the **Fund, Sub Fund, Department, Unit and Appr Unit** in the **Fund Accounting** sub-section and any required information in the **Detail Accounting** sub-section of the **Accounting** section.
8. The buyer should validate the IE. (SHOULD NOT SUBMIT).

Communication Point

9. The buyer should email the seller to inform him that the IE is ready to be submitted to final.

The Seller Department Finalizes the IE

10. The seller should review the information on the IE and if they agree, they should submit it to **Final** status.

STEP TWO: The ITI (Internal Transaction Initiator)

The seller creates the ITI.

1. The ITI not only acts as a bill (invoice), but it contains the seller's revenue account that will be copied forward to the ITA.
2. The seller should not use the auto numbering option for the doc ID. They should create a document ID code that can be identified by the seller and buyer easily.
3. If there is only going to be one ITI referencing an IE, the same Doc ID code as the IE should be used. If there are multiple ITIs referencing an IE, The Doc ID could consist of the first 18 characters of the IEs Doc ID with the last 2 characters used as a ITI counter.
4. The **Initiator** field in the **General Information** sub-section of the **Header** section must be **Provider/Seller.**
5. The seller enters their vendor code into the **1st Party Information** sub-section of the **Header** section.
6. The seller enters "INTDEPTBUYER" into the **2nd Party Information** sub-section of the **Vendor** Section.
7. The seller selects the **Event Type** located in the **General Information** sub-section of the **Accounting** section. The event type depends on the fund and sub fund values of the seller's revenue account and the buyer's expense account. The Seller can get the buyer's fund and sub fund from the **Fund Accounting** sub-section of the **Accounting** section in the IE.
8. If **both** the fund **and** sub fund of the buyer's expense account is the same as the fund **and** sub fund of the seller's revenue account, the event type will be **IN06.** If either the fund of the buyer's expense is different than the fund of the seller's revenue account **or** the sub fund of the buyer's expense is different than the sub fund of the seller's revenue account, the event type will be **IN04.**
9. If an IE has multiple lines and the ITI lines corresponding to that IE need to have different event types, separate ITIs must be done for each event type.
10. The seller enters the **Line Amount** located in the **General Information** sub-section of the **Accounting** section.
11. The seller enters the revenue account's **Fund, Sub Fund, Department, Unit** and **Revenue Source** in the **Fund Accounting** sub-section of the **Accounting** section.
12. The seller validates the ITI
13. The seller submits the ITI to Final.

Communication Point

14. The seller must send an email notifying the buyer the ITI has been completed and the buyer department should copy forward from the ITI and complete the ITA to transfer the funds.

STEP THREE: The ITA (Internal Transaction Agreement)

The buyer must complete the ITA to transfer funds to the sellers revenue account.

1. When the ITA is created, the **1st Party Information** sub-section of the Header section is inferred from the ITI.
2. Suggestion: To help in reconciling the ITI to the ITA, the ITA doc ID should be the same as the ITI doc ID.
3. The **Initiator Reference** sub-section in the **Initiator Reference** section is carried forward from the ITI and the other sub-sections in the **Initiator Reference section** are inferred.
4. The **Event Type** will be inferred in the **General Information** sub-section of the **2nd Party Accounting** section. The buyer enters the **Line Amount.**
5. The buyer enters the **IE Doc ID**, **Ref Vendor Line** and **Ref Accounting Line** into the **Reference** sub-section of the **2nd Party accounting** section. The information in the **Fund Accounting** and **Detail Accounting** sub-sections will be inferred from the referenced IE.
6. The ITA can have multiple lines in the **Accounting** section with each line having a different IE reference.
7. The ITA document total must equal the referenced ITI document total.
8. The buyer validates the ITA.

Communication Point

9. The buyer submits the ITA to Final and informs the SELLER.

Interdepartmental Encumbrance Transaction (IET)

–For collection of Bi-weekly Payroll Tax Charges

Every two weeks, on the Thursday after the Tuesday payroll run, IET documents are created so that the Commonwealth can pay Medicare tax, unemployment insurance (UI) and universal health insurance (UHI) contributions on behalf of Commonwealth employees.

Departments should routinely check, on the Thursday that the IET documents are created, to see if any documents are in reject status. It is important to note that departments can currently view the documents and the error messages but CTR must make the adjustments in order to clear them.

☎ Communication is the Key